



CITY OF RYE, NEW YORK
FINANCE COMMITTEE MEETING NOTES – SPECIAL MEETING
November 22, 2004 – 7:30 p.m. – Employees’ Lounge, City Hall

Present: Fred Dunn, David Mullane, Jono Peters, and Sal Samperi; City Council liaison Franklin Chu; City staff liaison Michael Genito.

Absent: Michael Caponiti, Norm MacMaster, and George Pratt.

Guests: Mayor Steve Otis and George Ilse

This special meeting of the Finance Committee was called to address some specific questions raised by the City Council in its deliberations over the tentative budget for fiscal year ending December 31, 2005. Below are the questions, and the answers developed by the Committee.

Is it appropriate to defer the issuance of the Locust Firehouse bonds from 2004 to a future year?

The Committee unanimously agreed that bonds should not be issued too early in the project process and should be timed to consider project certainty. Moreover, the Committee strongly urged that the bond covenant be general in nature with respect to the City’s ability to use any remaining proceeds for capital projects. The Committee noted that the decision as to when to issue bonds is both a quantitative and subjective decision based on professional judgment. Some members believed that issuing short-term debt (bond anticipation notes) bearing lower interest rates until the project is completed and then issuing long-term debt (bonds) would result in a net savings. Others disagreed with this position, noting that there are transaction costs with the issuance of each form of debt and a risk that interest rates will rise, resulting in higher costs. Michael Genito was asked to prepare an analysis showing what the net benefit may be, if any, (interest expense savings less transaction costs) of issuing bond anticipation notes for a year or two, and determining what level 20-year bond rates would have to be to equal that benefit. The analysis would compare over a 20-year period a one or two-year bond anticipation note followed by a 20-year bond vs. a single 20-year bond. Fred Dunn will provide Michael Genito with a history of 1 year and 20-year rates going back 20 years.

Should the 2005 budget include \$125,000 for parking meter system revenues from the proposed parking meter system?

While “best practices” caution against the use of potential and untested revenues in the budget process, the Committee agreed that since the \$125,000 represents approximately one-half of the mid-level revenues estimated by the City Planner in his analysis of the system in a memo to the City Council; that the General Fund fund balance had sufficient available funds to cover any shortfall; and that Council members are comfortable with a parking meter system start date of July 1, 2005, the revenue should remain in the 2005 budget.

Should the City appropriate \$100,000 of Building and Vehicle Fund fund balance to reduce the charges to the General Fund?

A majority of Committee members agreed that since the available fund balance resulted from revenues in excess of and/or expenditures less than originally budgeted in prior years, it was appropriate to provide the General Fund with a “discount” on the service charges in 2005. However, understanding that fund balance is not a recurring source of funding, and that this is the first time in memory that such a transfer has ever been made, the Finance Committee recommended that this appropriation of fund balance be for 2005 only, and that the City should determine other means to ensure that the General Fund will pay the full service charge in years 2006 and beyond. One Committee member dissented, noting that the Committee had worked very hard to establish the City finance policies of a balanced budget and restrictive use of fund balance, and that taking the funds from Building and Vehicle Fund fund balance to fund operating costs is no different from taking the funds from the General Fund fund balance. The dissenting member also noted that appropriations from the Building and Vehicle Fund fund balance in the past had always been used solely for building projects or vehicles, both capital items. Furthermore, he opined that in a budget of \$26 million plus, surely there is the ability to reduce discretionary spending in order to balance the operating budget.

Should the City Council continue to defer capital projects?

The Committee agreed unanimously that decisions to accept, reject, or defer specific capital projects are City Council decisions, and not within the purview of the Finance Committee.

Should we revise the City’s financial policies to include the funding of “equipment”, “debt principal payments” and/or “contingency” with fund balance as an appropriate use of fund balance?

The Committee unanimously agreed that since the Council has used fund balance to pay for operating expenses for two years in a row, the current policies of the City on this issue should be revisited. This issue will be discussed more fully in a future Finance Committee meeting.

Next Finance Committee Meeting

The next regular meeting of the Finance Committee is scheduled for Monday, December 6, 2004 at 7:30 p.m. in the Employees’ Lounge of City Hall.

Adjournment

Having no further business, the meeting adjourned at 9:30 p.m.

Respectfully submitted,

Michael A. Genito